

March 23, 2004

TO: Business Owners

FROM: David Wolff, Finance Director

SUBJECT: Revised Sales Tax Code, effective April 1, 2004

On March 9, 2004, the Assembly of the City and Borough of Sitka passed Ordinance NO. 03-1758 amending Title 4, Revenue and Finance, of the Sitka General Code to repeal Sitka General Code Chapter 4.08, Sales Tax, and enacting a new Chapter 4.09, Sales Tax. The following highlights some of the changes between the old sales tax code and the new code.

4.09.010 Levy of sales tax.

The Assembly has defined which sales are not taxable for air or sea charters: a person or entity in the business of providing such air or sea charters, are exempt from sales tax ... if the charter does not commence and end within the City and Borough of Sitka. For example, a charter starts at Sitka and terminates in Juneau or visa versa, the service provided is not subject to the City and Borough of Sitka's sales tax.

4.09.100 Exemptions.

(n) Over One Thousand Dollars (\$1,000) on Sales and Rents of Tangible Personal Property, on Sales of Services, and Rent or Lease of Real Property on a Monthly Basis.

This exemption caused the most debate by the Assembly and citizens than any other section in the new sales tax code. The exact wording for this exemption is as follows:

That portion of a selling price for a single piece of equipment or tangible personal property or sale unit in excess of one thousand dollars (\$1,000) is exempt. A single sale unit is:

- 1. Any retail merchandise sale where the selling price is totaled on one invoice or any sales slip, although this exemption does not apply if any portion of the invoice or sales slip refers to more than one business day; or*
- 2. Any sale of services sold by an individual unit price.*

Notwithstanding any other provision of law, the exemption described in this subsection does not apply to any "running" invoice or sales slip representing the sale of items or commodities which are not services. The exemption described in this subsection applies to any sales of services in which services provided to more than one individual are packaged together or "bundled" for purposes of payment on one invoice or sales slip to the extent that such individuals are members of the immediate family of the person making the payment and the person making the payment provides to the seller a certification of such relationship on a form provided by the City and Borough. For purposes of this subsection, "member of the immediate family" are the individual's spouse, children, parents, parents-in-law, siblings, grandparents, and grandchildren. Notwithstanding any other provision of law, if a seller can provide an invoice prepared no later than March 31, 2004 and evidence of an accompanying deposit of money that was received by the seller no later than March 31, 2004 as a down payment on the selling price for a single piece of equipment or tangible personal property or a single sale unit, the changes enacted by Subsection 4.09.100(n) in Ordinance No. 03-1758 do not apply.

To put it in layman's words, if a business has taken a deposit prior to April 1, 2004 as shown on an invoice for merchandise or services to be delivered or provided after April 1, 2004,

the customer may elect to recognize the exemption as it applies to a single family unit, household, or business owner/employees(using the old rule under section 4.08.050(P)). All deposits and/or invoices received/dated on or after April 1, 2004 will be subject to section 4.09.100(n).

In the new code, the exemption for merchandise or services only applies to immediate family, as defined above. The single family unit, household, or business owner/employees consideration does not exist unless the customer has a deposit shown as a down payment on an invoice dated before April 1, 2004 and elects to be taxed under the old exemption rules.

4.09.100 Exemptions.

(t) Long-Term Motor Vehicle and Equipment Rentals. The long-term lease or rental of motor vehicles and equipment is exempt. “Long-term” is defined as being a period of at least thirty consecutive days. This exemption was changed from construction equipment to all long-term equipment rentals.

4.09.270 Returns: payment; authority of City and Borough of Sitka.

(a)(3) Yearly. If a seller submits within the dates required for the four quarterly returns for a calendar year and the total amount collected and remitted to the City and Borough of Sitka is \$200 or less, seller may request in writing to the Finance Director, to file a sales tax return once a year for the previous calendar year. We have made provisions for the small business owner to file once a year rather than each quarter.

4.09.310 Deduction for bad debts.

Please review this section for the period in which bad debts can be deducted on the returns. For bad debts occurring during 1999 through 2003, they will be allowed on any return due during the 2004 calendar year. The 2004 bad debts will be allowed on the first quarter return in 2005 and there after each first quarter return will be used to declare the previous years bad debts.

4.09.350 Procedures on delinquencies.

Penalties for failure to file the proper forms and or remit the sales tax then due have increased. The penalty will be five (5%) percent per month until a total penalty of twenty-five (25%) percent has accrued. The minimum penalty amount is as follows:

first month past due	\$15 minimum
second month past due	\$25 minimum
third month past due	\$50 minimum
after third month past due	\$100 minimum

If you have any questions, please contact the Sales Tax Clerk at 747-1840, Sales Tax Auditor at 747-1853, or the Finance Director at 747-1836.